

June 23, 2004

Dear Toho-Tolani County Improvement District Member,

We want to take this opportunity to update you on the recent developments concerning the District's contractor and express to you the District Management's full intention to complete the road improvements this year. We recognize that this will be a challenge. We are moving very quickly to execute a plan to achieve this goal. We will first update you on the situation and then share with you the steps we are taking to complete the project.

As you are probably aware, A. Miner Contracting informed the District on June 8, 2005 that the firm was terminating its contract. An executive session was held with the Board of Directors for the Toho-Tolani County Improvement District so that the board could receive advice from their legal counsel on June 14. The Board instructed their legal representatives to hold a hearing under ARS 48-924 to determine if the contractor was in default. The Board also asked that its attorney contact A. Miner's legal representative to clarify their intentions and to see if they intended to provide a proposal for completing the work. A hearing was set for June 21 and notices were sent to district members, the contractor and its performance bonding company. The Board received a proposal from A. Miner's legal representative on Monday, June 20 outlining the contractor's conditions for completing the work.

On Tuesday, June 21, 2005 the Board of Directors held the hearing. At the hearing, the Board rejected A. Miner's proposal and determined that A. Miner Contracting, Inc., was in default for not diligently pursuing the project and thus not being capable of completing the project by the agreed deadline of July 1, 2005. After finding the contractor in default, the Board instructed its legal representative to make a demand on the performance bonding company to perform the contractor's obligations under the contract or to pay the District to complete the work. The letter to the performance bonding company emphasizes the need to complete the project this year and thus we need a decision from the performance bonding company regarding its intention to perform as soon as possible. Although the performance bonding company has up to sixty days to decide whether or not to perform, we are asking that they expedite their decision process.

In addition to making the demand on the performance bonding company, the District is also pursuing arrangements to secure another contractor to complete the work if the performance bonding company decides not to perform. To date, we have identified two, highly qualified firms that are interested in and capable of completing the project this year.

We know that a few properties may have incomplete work performed on driveways or drainage facilities. Our engineers will be working to identify those issues that must be resolved now. If you have specific concerns about work conditions, then please contact Lucinda Andreani at 928-779-6576. She will relay your concerns to our engineers for their review.

We know that this has been a frustrating process and again we ask for your patience. As we move forward with executing our plan, we will continue to keep you informed as to developments. Again, we want you to know that we are fully committed to moving the process forward as quickly as possible so that we can complete the project this year.

Sincerely,

Matt Ryan
Road District Director &
County Supervisor

Lucinda Andreani
Special Districts Coordinator